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Changes in Cayman Island Investment Funds Anti-Money Laundering Regime

We wanted to bring to your attention certain recent significant changes to the Cayman Island's Anti-Money Laundering ("**AML**") regime applicable to investment funds organized in the Cayman Island.

We have been advised by Cayman Islands counsel that unregulated open and closed-ended investment funds will be required, as of May 31, 2018, to comply with enhanced AML requirements with respect to their investors as they will be subject to the Cayman Islands Anti-Money Laundering Regulations, 2017 (as amended, the "**AML Regulations**"). The requirements would apply **to both existing funds and new funds**, who should be compliant by May 31, 2018.

Some key requirements under the AML Regulations include: (a) appointment of AML compliance officer, money laundering reporting officer and deputy money laundering reporting officer; (b) adoption of written procedures to: (i) identifying and verifying the identity of investors and their beneficial owners; (ii) identifying, assessing and understanding investors' money laundering and terrorist financing risks, including sanctions screening; (iii) screening employees; (iv) complying with record keeping obligations; (v) internal reporting of suspicious transactions; and (vi) internal controls, including independent compliance audits; and (c) employee training.

Funds will be required to carry out an in-depth analysis of the risks posed by investors based on factors such as their type, geographic location and type of fund being invested in. Funds will also be obligated to carry out customer due diligences ("**CDD**"). The level of the CDD required is tied to the level of risk identified in accordance with a fund's policies. In certain cases where an investor is identified as higher risk, funds will be expected to carry out enhanced CDD. In other cases where an investor falls in a low risk category, a simplified CDD may be acceptable.

While the ultimate responsibility for compliance with the AML Regulations remains with the funds, investment funds may delegate to a service provider (e.g., an administrator) such obligations, and it will generally be sufficient to demonstrate that delegation has been made to a proper person, whose procedures have been reviewed and monitored on an ongoing basis.

Failure to comply with the AML Regulations is a criminal offence, punishable by fines and up to two years imprisonment. Where an offence is committed by a fund, any of its officers or the officers of its general partner may be liable to the same punishment.

Join us at March 11 at the seminar to learn more about the changes in Cayman Island Investment Funds AML Regime. For registration, [click here](#).

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